

Message Text

CONFIDENTIAL

PAGE 01 STATE 209396

67

ORIGIN EA-14

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TO USMISSION USUN NEW YORK IMMEDIATE

C O N F I D E N T I A L STATE 209396

TOSEC 18

E.O. 11652: GDS

TAGS: PGOV (UNGA)

SUBJECT: BRIEFING PAPER FOR CALL ON PRESIDENT BY

INDONESIAN FOREIGN MINISTER

FOLLOWING FOR YOUR APPROVAL IS PROPOSED MEMORANDUM FROM YOU
TO THE PRESIDENT CONCERNING HIS MEETING WITH FOREIGN
MINISTER MALIK AT 3:30 PM SEPTEMBER 25:

QUOTE: SETTING

PRESIDENT SUHARTO HAS ASKED THAT YOU RECEIVE MALIK, WHO
WILL BE CARRYING A PERSONAL LETTER TO YOU FROM SUHARTO.
SUHARTO FELT HE ENJOYED A PERSONAL FRIENDSHIP WITH PRESI-
DENT NIXON, WHOM HE MET ON SEVERAL OCCASIONS, AND WILL HOPE
TO ESTABLISH AN EQUIVALENT RELATIONSHIP WITH YOU. HIS
LETTER MAY ALSO INDICATE CONCERN AT DECLINING U.S. ECONOMIC
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 209396

AND MILITARY AID LEVELS, STRESSING INDONESIA'S CONTINUING

NEEDS AND THE IMPORTANCE HE ATTACHES TO CONTINUING U.S. POLITICAL SUPPORT.

INDONESIA HAS BEEN ONE OF OUR LARGEST AID RECIPIENTS, RECEIVING 230 MILLION DOLS IN ECONOMIC AND 18 MILLION DOLS IN MILITARY AID IN FY L973. AS A MAJOR OIL EXPORTER, HOWEVER, INDONESIA IS BENEFITTING FROM THE WORLDWIDE OIL PRICE INCREASES. PARTLY AS A RESULT, OUR ECONOMIC AID WAS CUT TO 92 MILLION DOLS IN FY 74 AND THERE IS CONGRESSIONAL

PRESSURE TO REDUCE IT MUCH FURTHER IN FY 75. SUHARTO, HOWEVER, IS CONVINCED THAT INDONESIA WILL NEED SUBSTANTIAL FOREIGN AID INDEFINITELY DESPITE THE OIL WINDFALL. HE EMPHASIZES THAT INDONESIA'S POPULATION IS FAR LARGER THAN THAT OF ANY OTHER MAJOR OIL EXPORTER, ITS DEVELOPMENT NEEDS FAR GREATER, AND ITS NEW OIL REVENUES SUBSTANTIALLY LESS THAN SOME OF THE OTHERS (ABOUT HALF OF NIGERIA'S AND ONE FOURTH OF IRAN'S). SUHARTO ALSO BELIEVES AID COMMITMENTS ARE AN ACCURATE MEASURE OF THE DONOR COUNTRY'S POLITICAL INTEREST IN INDONESIA AND IS CONCERNED THAT DWINDLING U.S. AID SIGNALS A DECLINE IN U.S. INTEREST.

OUR OBJECTIVES

YOUR OBJECTIVES IN MEETING WITH MALIK ARE TO:

-- CONVEY ASSURANCES TO SUHARTO THAT DECLINING U.S. AID DOES NOT IN ANY WAY REFLECT A LESSENING OF OUR INTEREST IN INDONESIA, OUR FRIENDSHIP FOR THE SUHARTO GOVERNMENT OR OUR AWARENESS OF INDONESIA'S SPECIAL NEEDS. THE DECLINE RESULTS INSTEAD FROM A VARIETY OF FACTORS THAT CANNOT BE AVOIDED: INCREASED NEEDS ON THE PART OF OTHER AID RECIPIENTS, SETBACKS IN U.S. AGRICULTURE, INFLATION IN THE U.S., INDONESIA'S ENHANCED REVENUES, AN UNFAVORABLE ATMOSPHERE IN CONGRESS TOWARD FOREIGN AID IN GENERAL.

-- ENSURE THAT INDONESIA REMAINS A MEMBER OF THE VIETNAM ICCS AND CONTINUES ITS GENERALLY HELPFUL ATTITUDE IN THE KHMER REPRESENTATION ISSUE AND RELATED SOUTHEAST ASIAN ISSUES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 209396

THEIR OBJECTIVES

MALIK WILL HOPE TO CONVINCE YOU THAT:

-- INDONESIA CONTINUES TO NEED SUBSTANTIAL FOREIGN AID DESPITE ITS OIL EARNINGS, AND SEEKS BOTH ECONOMIC ASSISTANCE AND POLITICAL SUPPORT FROM THE U.S. INDONESIA IS

PREPARED FOR HARDER TERMS AND LESS CONCESSIONAL AID FROM THE U.S. SO LONG AS THE TOTAL DEMONSTRATES CONTINUED U.S. SUPPORT.

-- INDONESIA IS FINDING ITS ICCS MEMBERSHIP INCREASINGLY BURDENSOME IN THE FACE OF COMMUNIST OBSTRUCTIONISM, AND SOME ARE QUESTIONING THE COMPATIBILITY OF INDONESIA'S MEMBERSHIP AND ITS NONALIGNED FOREIGN POLICY. EVIDENCE OF U.S. SUPPORT WILL BE HELPFUL TO CONVINCE THE INDONESIAN PEOPLE THAT INDONESIA SHOULD STAY IN THE ICCS.

PRINCIPAL ISSUE - U.S. AID

INDONESIA'S UNDERDEVELOPED ECONOMY WILL BE UNABLE TO UTILIZE FULLY ITS OIL PROFITS THIS YEAR, AND ITS RESERVES ARE EXPECTED TO EXCEED 2.5 BILLION DOLS BY NEXT APRIL. THUS THERE IS LITTLE SHORT-TERM ECONOMIC JUSTIFICATION FOR CONTINUING OUR ECONOMIC AND MILITARY AID. THE LONGER TERM PICTURE IS LESS CLEAR, HOWEVER, AND MANY BELIEVE THAT A PLATEAU IN OIL PRODUCTION, RISING IMPORT COSTS, AND BURGEONING DEVELOPMENT NEEDS WILL AGAIN STRAIN INDONESIA'S RESOURCES IN A FEW YEARS. ASIDE FROM STRICTLY ECONOMIC ISSUES, WE ARE CONCERNED THAT INDONESIA IS NOT DEALING EFFECTIVELY WITH A WIDE RANGE OF FUNDAMENTAL SOCIO-POLITICAL PROBLEMS IT FACES INTERNALLY. OF PARTICULAR CONCERN IS THE SITUATION IN JAVA, ONE OF THE POOREST AND MOST DENSELY POPULATED RURAL AREAS ON EARTH, WHERE THE GOVERNMENT'S DEVELOPMENT PROGRAMS HAVE NOT SUCCEEDED IN STEMMING A GENERAL DETERIORATION IN LIVING STANDARDS AND WHERE SEVERE UNREST IS A DISTINCT -- ALTHOUGH NOT IMMEDIATE -- POSSIBILITY.

IN POLITICAL TERMS, SUHARTO'S INSISTENCE ON RELATING AID
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 209396

LEVELS TO OUR POLITICAL RELATIONSHIP WILL POSE A PROBLEM IF WE CUT OUR AID TOO ABRUPTLY. IT WILL BE EXACERBATED BY THE FACT THAT WE HAVE ALREADY REDUCED OUR ECONOMIC AID BELOW THE LEVEL OF OUR PUBLIC PLEDGES ON TWO OCCASIONS IN THE PAST YEAR. MOREOVER, SUHARTO BELIEVES HE HAS A FIRM U.S. COMMITMENT TO FURNISH CONSIDERABLY MORE MILITARY AID THAN WE HAVE PROVIDED IN THE PAST FEW YEARS. SYMBOLICALLY, MILITARY AID IS PROBABLY MORE IMPORTANT TO HIM THAN ECONOMIC AID. HARDENING OF TERMS IS MADE EASIER BY THE FACT THAT SUHARTO IS MORE INTERESTED IN AID TOTALS THAN THE COMPOSITION OF THE PACKAGE, AND HAS SHOWN A WILLINGNESS TO COUNT SUCH THINGS AS EXIM BANK LOANS, FMS CREDITS AND EVEN CCC CREDITS IN THE TOTAL.

U.S. STRATEGY

WE ARE PREPARING AN INTERDEPARTMENTAL STUDY FOR YOUR CONSIDERATION OFFERING OPTIONS REGARDING THE RATE AND MANNER IN WHICH WE HARDEN THE TERMS OF OUR CONCESSIONAL AID OVER THE NEXT 1-3 YEARS, AS AN ALTERNATIVE TO ENDING IT ALL AT ONCE.

POINTS YOU SHOULD STRESS:

-- WE VALUE OUR CLOSE ASSOCIATION WITH INDONESIA AND WILL TRY TO BE AS HELPFUL AS POSSIBLE IN MEETING INDONESIA'S DEVELOPMENT AND SECURITY NEEDS, EVEN THOUGH

WE WILL NOT BE ABLE TO DO AS MUCH AS INDONESIA - OR WE -- WOULD WISH. YOU LOOK FORWARD TO MEETING PRESIDENT SUHARTO AND ESTABLISHING A PERSONAL FRIENDSHIP WITH HIM.

-- WE APPRECIATE INDONESIA'S RESPONSIBLE ROLE IN THE ICCS AND ARE FULLY AWARE OF THE FRUSTRATIONS INVOLVED. INDONESIA'S CONTINUED MEMBERSHIP IS A VALUABLE CONTRIBUTION TO OUR MUTUAL OBJECTIVES IN SOUTHEAST ASIA.

-- WE ALSO APPRECIATE INDONESIA'S LEADERSHIP IN THE KHMER REPRESENTATION ISSUE, IN BOTH THE ASIAN CONTEXT AND THE NON-ALIGNED MOVEMENT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 209396

INVITATION FOR YOU TO VISIT INDONESIA

MALIK IS LIKELY TO INQUIRE ABOUT YOUR PLANS TO VISIT JAPAN, AND WILL PROBABLY EXTEND AN INVITATION TO YOU FROM PRESIDENT SUHARTO TO VISIT INDONESIA IN CONNECTION WITH THIS TRIP. DISCUSSING THE INVITATION, MALIK MAY RECALL THAT YOU MET WITH THE INDONESIAN VICE PRESIDENT, SULTAN HAMENGKU BUWONO, IN WASHINGTON IN JULY OF THIS YEAR, AND THAT THE SULTAN AT THAT TIME INVITED YOU TO VISIT INDONESIA. INGERSOLL

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